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ABSTRACT

This study was undertaken to assemble up-to-date hard financial data on all accredited private institutions of higher education, and to analyze and evaluate these data in order to present a solidly based description of the current situation. The questionnaires returned illustrate that private colleges and universities have reason to be apprehensive about their future. For institutions running deficits, the financial situation goes from serious to critical, and for those colleges operating in the black, things are getting dimmer. Taken collectively, they will not long be able to serve higher education and the nation with strength unless significant aid is soon forthcoming. (HS)

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"THE RED AND THE BLACK"

Special Preliminary Report

on the

FINANCIAL STATUS, PRESENT AND PROJECTED,

OF

PRIVATE INSTITUTIONS OF HIGHER LEARNING

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EDUCATION & WELFARE
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Representative Nature of This Study

This study was undertaken to assemble up-to-date hard financial data on all accredited private higher education, and to analyze and evaluate these in order to present a solidly based description of the current situation. The annual Higher Education General Information Survey Report of the U.S. Office of Education is comprehensive; but it is not confined to private higher education, does not include all the data we thought it important to assemble, is not analyzed to the extent we thought desirable (and which the inclusion of additional data permits), does not deal in projections, and is not up-to-date enough for analysis of the immediate situation.

Other studies of the financial status of higher education are up-to-date but neither sufficiently based upon hard financial data nor sufficiently comprehensive in the population studied to justify any but the most tenuous of conclusions about the condition of private higher education as a whole. Very little can be safely said about all of higher education on the strength of an analysis of a few institutions if it is not firmly bolted both to reliable hard data and to a statistically secure sample. Some of the studies of institutions in a single state, for instance, may turn out to be accurate microcosmic representations of the whole; but we have no way of knowing.

What we sought, therefore, was to survey, through hard data, the financial status of *all* private, four-year, accredited institutions of higher learning. We did this through a questionnaire sent to all but 29 of such colleges and universities in the nation—as well as to a few American-accredited institutions located out of the country.

The response to the questionnaire, especially in view of its thoroughness and complexity, was, astonishingly, in excess of 75 percent! This is a tribute to the questionnaire itself which looked as though it was asking the right questions; to the confidence of member institutions in their Association; and to the acuteness of the private sector's concern for its financial problems. For some of the data, notably data on current fund income and expenditures, the usable response rate at the time of this report is slightly over 73 percent—a very healthy basis for making statements about all of private higher education.

Even so, one may wonder how the non-respondents (including the handful not invited to participate in the study in the first place) compare with the ones that responded with completed copies of the questionnaire.

Starting with the 29 institutions that were not sent the questionnaire, they are, so far as we can judge, the *only* private colleges and universities that met the criteria for the study but were not members of the Association of American Colleges. Since we were about to ask colleges and universities to invest a substantial amount of time in providing data normally regarded as highly confidential, and since we were unable to determine on the face of things that the non-member institutions were different in any material way from member institutions, we did not send the questionnaire to non-members. We reasoned that while we had some claim to the attention of our own members we could not make the same prima facie case for the attention of non-members.

If we add together the non-members (29) and the members that were invited to participate but failed to return a complete questionnaire in time to be included in the study (179) and make some comparisons with responding institutions (554) in several ways readily available to us, the following results emerge.

Adding responding and non-responding institutions together in order to arrive at a distribution of all accredited four-year private colleges and universities by various demographic characteristics, and then comparing the percentage our responding institutions make on the same analysis, we find a virtual match in every instance, as the following tables indicate.

On geographical distribution, for example, the furthest deviation is found in the west north central region. As a whole, this region contains twelve percent of all private colleges and universities, but fifteen percent of our responding institutions. The group of institutions included in this study, therefore, tends to be slightly over-representative of institutions in the upper west midwest.

Our comparisons on the basis of enrollment ranges and degree levels bear out the same picture, namely, that our responding institutions are highly representative of all private institutions in the country.

The population of institutions included in our study is classified by five enrollment range levels: 500 and below, 501–1000, 1001–2000, 2001–4000, and 4001 up. The percentage figures for the national totals and for the responding institutions in our study are equal for two of the five categories and one or two percent apart for each of the other categories. Our respondents tend to be a hair light in representing institutions enrolling 500 or less and a shade heavy in representing institutions enrolling between one and two thousand students.

Of all private four-year and above accredited colleges and universities, those whose highest offering is a four or five year baccalaureate degree comprise 61 percent of that total population and 61 percent of our responding population. Those offering a masters degree but not higher comprise 27 percent of the total population and 28 percent of ours. Those offering the doctorate are 12 percent of the whole and 11 percent of ours.

We were able to make a similar analysis on the basis of denominational affiliation or lack thereof. Here again the ratio each group bears to the total of our responding institutions is nearly identical to the proportion of all institutions of that type to the total of all private institutions in the nation. Roman Catholic institutions, for example, comprise 28 percent of all private colleges and universities in the nation and 29 percent of the institutions responding to our study. Methodist-related institutions are 11 percent of the national total and 11 percent of our responding institutions. Our study slightly underrepresents the independent colleges and universities. They comprise 31 percent of the national total and make up a slightly smaller 29 percent of our responding group.

On the basis of these demographic comparisons, the institutions in our study appear representative of all private institutions of higher learning. We believe, therefore, that the data on our institutions provide a reasonably stable basis for reliable estimates of comparable values for the total population. No other contemporary study is so soundly based.

Comparative analyses of the distribution of all accredited four-year private colleges and universities in the nation and of respondents to this study by various demographic characteristics.

GEOGRAPHICAL DISTRIBUTION

Region	Percent of All Private Institutions	Percent of Institutions in This Study
Pacific	8.	7.
Mountain	2.	2.
West South Central	6.	5.
East South Central	8.	7.
West North Central	12.	15.
East North Central	19.	21.
South Atlantic	15.	15.
Mid Atlantic	20.	20.
New England	10.	9.
	100.	101. *

ENROLLMENT RANGE DISTRIBUTION

Enrollment Range	Percent of All Private Institutions	Percent of Institutions in This Study
500 and below	8.	6.
501 – 1000	34.	34.
1001 – 2000	36.	38.
2001 – 4000	11.	12.
4001 and up	11.	11.
	100.	101. *

DEGREE LEVEL DISTRIBUTION

Degree Level	Percent of All Private Institutions	Percent of Institutions in This Study
4 or 5 year baccalaureate	61.	61.
Masters Degree	27.	28.
Doctorate	12.	11.
	100.	100.

*Percent may be more than 100 because of rounding.

1968 As A Base Year

Although some of the data we collected in this study go back to 1965, the earliest income and expenditure data start with fiscal year 1967-68. It was inevitable, therefore, that 67-68 would begin to take on some of the characteristics of a "base year." There is no occult reason for this choice. We wanted our study to be a current one and we wanted to study many fiscal facets of the present. We went back to 1967-68 in order to have two years of past data which we could compare with two years of projected data. Most institutions, we reasoned, could readily supply us with data as recent as this, while more years of data as complete as we were requesting would be more than we could meaningfully use.

Since we are using 1967-68 as a base year, however, it may be useful to say something about what kind of a year it was as a base for a study of this nature.

We were told, in a report of Committee Z of the AAUP for 1968, that faculty salaries, for example, had risen an average of $4600 since 1956. In further evidence supplied by Professor Baumol of Princeton, we were told that real expenditures per student increased 65 percent in private institutions of higher learning during the course of the decade which ended with fiscal 1968. That amount is calculated in constant dollars, taking no account of inflation. Moreover, for the benefit of those who think that the cause of this increase can be laid at the door of research, Baumol noted that even exclusive of research the cost per student had risen fifty percent.

If the trend continued uncorrected, he prophesied, the cost per student in current dollars could rise in forty years to sixteen times the present (1968) level, and *total* expenditures (not per student) in constant dollars would rise in forty years to 65 times the 1968 level.

A study conducted in the state of Texas in that year indicated that if the short trend uncovered in that study were to continue, by 1985, in constant 1968 dollars, the cost per student in major independent universities in the state of Texas would be $36,859 and the cost per student in senior colleges in the state would be $17,074. If the percentage covered by tuition were the same in 1985 as in 1968 the student at a private university would be asked to pay over seventeen thousand ($17,324) dollars per year and the student at a senior college would be confronted by a tuition charge of just under ten thousand ($9,695) dollars.

It was in 1968 that a friend sent me an excerpt from the annual report of a college president that read: "During all the years of its development as a church related university, _____ has experienced a great frequency of financial crises. Only the Almighty's repeated answering of the sustained prayers raised by the school's courageous Board and Administration has prevented many potential catastrophes from occurring." Then, with unconscious irony which italicizes the fact that the financial crisis which was visible at least by 1968 was no common one, the president's report continued: "Now, however, the seriousness of the commitments necessary to implement the University's ambitious program requires that the needed degree and continuity of support be more clearly defined and more definitely assured." "Obviously," my informant commented, "things are in one hell of a mess!"

This, then, was the way the situation looked in 1968–the "base"year, and by far the best financial year, in our study. From that point, our data show, a bad situation deteriorated rapidly. As Pogo might have said, looking at the following three years of financial data from the standpoint of 1968, "From here on down, it's all up hill."

In the years since, costs have continued to rise. Instruction costs are higher with no increase in productivity; building costs are higher; maintenance costs are higher; security costs are higher; students and their parents are demanding "wall-to-wall" services; while inflation has continued to blur any kind of financial datum line.

Looking at net surplus or deficit for the current operating fund, in 1968 the "average" institution, a gross statistical amalgam derived by dividing the total net surplus or deficit figure for all institutions in our study by the number of institutions, finished its fiscal year with a surplus. One year later it finished its fiscal year with a *deficit*–which it more than *quintupled* one year later still, the fiscal year ending (for most institutions) June 30, 1970.

Looking at the "average" institution in each of the nine geographical regions, however, a somewhat different picture emerges. The break between 1968 and 1969 does not appear as sharp. In some regions the "average" institution was already running a deficit in 1968; in other regions the decline into deficits was delayed for the "average" institution until 1970.

Specifically, in six regions the "average" institution was showing a surplus when it ended its fiscal year in June 1968. In three regions, geographically separated from one another, the "average" institution ended that year with a deficit. One year later, the "average" institution in three more regions finished the year with a deficit, and by the end of the fiscal year most recently ended the "average" institution in the remaining three regions ended with a deficit. By June 1970 membership in the deficit club was complete: the average institution in every region was firmly in the red.

If we take a different vantage point to examine the trend, a similar picture emerges. Statistically summarized and arranged in five degree level categories, the financial condition of all private colleges and universities from 1967-68 through 1968-69 and 1969-70, has steadily worsened. By 1968-69, private colleges and universities in every degree level category but one, taken as a statistical average, were showing a deficit. Not a contrived "deficit," not an indirect student aid "deficit" (which all private institutions have been running for years), not the kind of "deficit" administrators sometimes submit to their boards to stimulate giving, not the "deficit" sometimes reported before annual gift money or contributed services provided by a religious order are included as income, but *an actual current fund deficit:* akin to the kind you and I have when our total actual expenditures are larger than our total actual incomes.

Some individual institutions in each of these categories, of course, were running deficits in 1967-68 and even earlier; some institutions in each category continued to run surpluses in 1968-69; but the average institution in each of the five categories finished in the black in 1967-68 and, in every category but one, finished in the red in 1968-69, one year later.

So much for the good news.

Financial Projections

One end of our four years of data is fixed to the year 1968. The other is pinned to 1970-71, a year whose fiscal fortune is not yet fact. These projected data are, perforce, spongy and uneven. Even the data for the year 1969-70 were, for most of the institutions in our study, a projection. The data for this year do not have the same kind of reliability as data for the first two years.

The making of projections is a spooky enterprise. There is, however, a certain earthy reliability about a summation of predictions made at the local level. Word from the admissions office; worries from the development office; intimations of still higher costs; speculation about the amount of tuition increase the local constituency will bear; rumors of the establishment or further development of a local junior college; grim decisions of where to cut back, in what order and when–all compounded by hopes and fears concerning the national economy–affect these predictions. What you may lose in lack of sophisticated understanding of how national movements will affect the future of private higher education may be more than compensated for by the intimate awareness of local effects.

Some institutions, a few spot checks indicate, overestimated the deficit they would incur in the fiscal year recently completed. Others, perhaps a larger number, underestimated. For the current year, an even larger number appear to have underestimated the deficits they will incur. Hope, a little inebriated by unwarranted optimism, seems to outrun despair in projecting future income. For example, some institutions that show a stable or even declining amount of gifts and grants for the three years beginning in 1967-68 suddenly project an astonishing increase in unrestricted gifts. Perhaps they know of something the reviewer of questionnaires does not: perhaps a highly favorable will is expected to be probated in that year. To one not privy to such inside information it looks more like a desperate fiction invented to project a balanced budget.

Similar unrestrained enthusiasm is sometimes seen in the projection of tuition and fees. The 1970-71 budget for some colleges, if not balanced, at least appears less tinted with scarlet because of a sudden increase in income received from tuition and fees. Since it is both probable that tuition has already been steadily rising and unlikely that some sharp increase in tuition charges is what is being contemplated, it must be that the college expects to have *more students* paying a slightly higher tuition.

A check of the figures on enrollment confirms this. An institution which has been experiencing a decline in applications and enrollment–sharp, graduated or uneven–may project a sudden increase in its freshman enrollment by some very large amount. For a given institution this is possible–improbable but possible. By dint of heroic effort, some institutions may turn my lack of confidence on its ear.

But not nationally. There are simply not enough students available of the academic quality that these colleges and universities have traditionally admitted to make such optimistic projections come true. While individual institutions may with justice be exhorted to work harder on student recruitment, it is both unreasonable and irresponsible to look at the total national scene and say; "If those colleges would just get off their duffs and go looking for students, they could eliminate their deficits." It simply is not so.

Financial projection patterns, however, are by no means identical, as the following comparison of two groups of institutions approximately equal in number will indicate.

Institutions that ran a relatively small deficit in 1968-69 (less than $25,000)–of which there were approximately fifty in the nation as a whole–had, typically, run a surplus the year before and projected a deficit for 1969-70 nearly nine times larger than the deficit they ran in 1968-69. For 1970-71 they projected a deficit only two thirds the size of the previous year. To call this an improvement in their financial condition is a little like calling a rise in temperature from ninety degrees below zero to sixty degrees below zero a "warming trend." Yet it is instructive to notice the basis for this relatively milder financial climate.

Almost all *expenditure items* in Educational and General, as well as Student Aid and Auxiliary Enterprises, are projected by these institutions to *continue to rise* in 1970-71 at about the same progression as earlier. The "warming trend" difference must be therefore in income. But not in all income areas. These institutions project actual declines in income for some items and hope for no dramatic increases in any other areas save two: tuition income and gift and grant income. They project a rise in unrestricted gift and grant income of 25 percent for 1970-71 even though their income from this source had declined the previous year by nearly six percent!

Tuition and fee income, looking at the figures themselves, is not quite as dramatic. Income from this source is projected to increase in 1970-71 over the previous year by twelve percent, as that year had increased over the previous year by eleven percent and that year in turn had shown an increase over 1967-68 by twelve percent. What is dramatic is not the nearly forty percent increase in tuition income in 1970-71 over 1967-68, but the expectation of a continuing significant rise in tuition in view of the evidence of a declining pool of applicants for admission.

However, the institutions do not expect even these increases in income to redeem them from a deficit posture, but merely to introduce a warming breeze into their Antarctica of deficits.

By comparison, the approximately fifty institutions in the nation that in 1968-69 ran a larger deficit–between $100,000 and $150,000 as opposed to the institutions described above which ran a deficit less than $25,000–project a similar trend line (that is, a deficit the following year nearly eight times larger followed by a projected improvement in 1970-71 which cuts the 1969-70 deficit in less than half) but for quite different reasons.

Not a single income category is projected by this latter group of institutions to improve in 1970-71 over 1969-70. The reason for the milder deficit lies, in this case, in *reduced expenditures.* In every single current fund expenditure item, these institutions expect to spend less than the year before. Enough less, in fact, so that, even though they also project a declining income, they expect to incur a lesser deficit. But still a deficit.

We are not far enough along in our analysis of these data to be sure of the reasons for these contrasting approaches to an improved financial position in the future or to evaluate the justification for them. At this stage it appears that the latter group–those institutions with the larger deficit that expect to improve their financial position by reducing expenditures–is more realistic than the former group–those institutions with a smaller deficit that expect improvement by a marked rise in income. Perhaps the larger deficit has a more sobering effect on future planning.

'Surplus' and 'Deficit' in Higher Education

This special preliminary report on the financial status of private institutions of higher learning refers to 'surpluses' and 'deficits,' to 'unappropriated surplus,' 'other reserves' and 'funds functioning as endowment.' Since private higher education is frequently enough dealt with in terms that suggest something faintly venal and unscrupulous about the high and ever-rising tuition such institutions charge, it may be that some casual readers of this report will raise their eyebrows at the very notion of 'surpluses' in a supposedly non-profit institution. They may see no harm in trimming down an institution's "unappropriated surplus"–believing intuitively that a non-profit institution should run a breakeven annual budget. A word of explanation may be in order.

There are *no stockholders* of accredited private institutions of higher learning to gather annually in person or by proxy to decide how to distribute the profits of their enterprise. If the economy is beneficent, the administration is efficient, and the public is supportive, there often are, however, surplus funds at the end of the year.

A surplus at the end of a year's operation is an important source of growth capital, which a college or university cannot count on getting, except by a special act of external benevolence, from other sources. It means that the institution can do the innovative and imaginative things the public has come to expect of it and which it does well. It can launch a new venture or strengthen one already begun. It can increase the amount of aid it can offer students in need. It can avoid an increase in tuition or, to meet constantly rising costs, make that increase a modest one.

All of these things a college cannot do if it runs a deficit or merely breaks even. An institution barely afloat, with water nearly over the gunwales, has lost much of its maneuverability, its adventurousness and freedom of experimentation. Its innovation and risk taking is confined to putting to sea each academic year. Most ominously, it has no protection against storms. A little student unrest, a little decline in enrollment, a little disenchantment among donors and the ship may founder. The first thing it does in troubled financial seas is jettison cargo.

Institutional Responses to Deficits

We asked the colleges that reported a deficit in 1967-68 what they did to meet that deficit. The most popular responses were: "borrow–other (including from current funds)" and "transfer from unappropriated surplus." These choices were conditioned, of course, by the availability of loan money and the rate at which it was available, as well as by the presence or absence of unappropriated surplus. An institution with no unappropriated surplus did not have the option of using it to cover its deficit, even as an institution without credit standing could not borrow. Both types seem to exist. As responses elsewhere in this questionnaire demonstrate, there are a large number of institutions without any "unappropriated surplus," and one hears rumors that there are others unable to borrow money.

To the option "borrow–other" we specifically added the words "including from current funds" because the pilot run of the questionnaire uncovered a curious maneuver. Curious, not meaning suspect in a business sense; but curious in an accounting sense.

We encountered an institution which reported a deficit but which chose *none* of the options from our supposedly inclusive list to explain what it was doing about it. (At that time the option read, simply, "borrow–other" to distinguish it from "borrow–from endowment.") When we called upon the institution to explain, the chief business officer said simply, "I'm not doing anything about it. I'm simply covering it with the flow of money." What he meant was that he was covering a current (or past) deficit by using the advance payment of monies (tuition) paid for services yet to be rendered.

Two or three things need to be said about this maneuver. The first is that this is not an unfamiliar practice in business. The cash flow is not infrequently or inappropriately used to cover an operating deficit. This is a cost-free way to handle a short-term liquidity problem.

It is, however, an act of borrowing and should be so noted in order to present an accurate picture of the financial state of the institution. It is, in fact, a borrowing from current funds. Moreover, it is a little like putting a larger fuse in the fuse box if smaller sizes keep getting blown: it masks the fact that there is a problem which needs correction before it becomes a bigger problem, and thus it eliminates an early danger signal. Cash flow does have some elasticity and can be used to stretch a bridge across a temporary chasm; but it is not infinitely elastic and it must reach the limit of its elasticity if the ravine continues to widen. It is dangerous to believe that one need do "nothing" about a deficit.

There is no guarantee, of course, that simply adding the words "including from current funds" to our option made this point clear to other institutions engaged in the same operation. Indeed, there is some evidence to suggest that it did not do so in every case.

Part of that evidence may be contained in further responses to this same question. The third most frequent answer to the question "How did you meet your deficit?" was "raise tuition." This may or may not be an accurate perception of the question. Since the respondents were not limited to a single answer and the responses are not additive, it may be that these colleges are saying that, in addition to taking some immediate action such as borrowing, they raised tuition as a means of paying back that loan, and, perhaps, of avoiding a deficit the following year. It may also be true that some of those checking this option are saying that they were able to receive a loan on the basis of the expected income to be created by the tuition increase.

But in those few cases where a deficit was recorded and the *only* option checked was "raise tuition," one is entitled to the strong suspicion that the "No action necessary, I am covering with cash flow" gambit outlined above is being employed.

Virtually the same things are true about several other options including the next most popular for 1967-68: "increase fund raising activities." Here, of course, there is less likelihood than in the case of tuition that any institution secured a loan on the basis of the promise of increased activities in this area. When an institution selected this option to describe its response to a deficit, it may have been describing a secondary decision about what it planned to do in the future rather than submitting an accurate answer about how it actually met a deficit. Again, in those few cases where a deficit was recorded and this was the *only* option checked, something slipped either in a conceptual or in an accounting sense.

In order of frequency the other options were:

Defer maintenance
Retrench expenditures
Transfer from other reserves
Borrow–from endowment
Spend principal of funds functioning as endowment
Cut back on depreciation allowance
Spend appreciation on endowment funds

A different picture appears when one examines tabulated responses to the question, "If you did not report a deficit, did you *avoid* a deficit by action in any of (these) areas. . .?" An institution that can project an anticipated deficit far enough in advance has somewhat broader options than has the institution taken by surprise.

Not unexpectedly, and legitimately (in the sense of being accurate both in a conceptual and in an accounting sense), "raise tuition" is the leading answer to this question. Nearly twice as many respondents indicated that they raised tuition as indicated choosing any other option. Tuition and fee increases, although turned to reluctantly by private colleges and universities, have been the most flexible and immediate source of increased income.

Favored Types of Federal Aid

The essence of avoiding deficits is either to reduce expenditures or seek additional income. The latter is by far the preferred alternative. One of the major prospective sources of new and additional revenue is the federal government. One of our questions, therefore, invited the president to indicate the type or types of federal aid he favored as part of a balanced program. He had three basic options. He could indicate which ones he preferred; he could indicate which ones he found acceptable even if he did not prefer them; or he could indicate that certain types were unacceptable to him. In addition, of course, he could indicate that he preferred no form of federal aid–though in fact nobody did so. For other options the president could identify some form of federal aid other than the eleven basic types we had listed–and 61 presidents did so, coming up with an interesting and often imaginative array of other options, although the most popular were those which phrased more clearly for the respondent one of our options or suggested a variant form or combination of them. He could, finally, simply by-pass a decision on any one or all of the types we presented to him.

The type of federal aid which was most often checked as "preferred" was "facilities grants directly to institutions." This was an option familiar to most respondents. They have tried it. They like it. They want more of it. This was, in the most precise sense of the word, a conservative choice.

The type of federal aid which received the next highest number of "preferred" notations was "institutional grants directly to institutions." This was not a conservative choice in the sense of being based upon experience with *federal* aid. It bears, however, an apparent resemblance to other monies that come to an institution to be used at its discretion and doubtless *seemed* a conservative choice. This was not intended to be a trick question, and the response should be interpreted as being a simple and straightforward endorsement of a form of aid which appears unentangling. The question was not sufficiently refined to reveal, however, what kind of formula for the assignment of this kind of aid would be acceptable or (and this applies with equal force to many other options) what kinds of "strings" (if any) would make federal aid in this form acceptable and what kinds would make it unwelcome.

The next most frequently "preferred"choice was "grants directly to students." This is, again, a type of federal aid with which colleges and universities have had a lot of experience. Most of that experience, to judge by this response, has been good. Aid has been too little, and it has been too inconstant, but it has demonstrated its value and is a popular choice.

"Facilities loans," as distinct from facilities *grants,* "directly to institutions" was identified fourth most often as a "preferred" choice.

The type of federal aid fifth most frequently identified as "preferred" was a "federally supported student loan bank." This is not a conservative choice in the sense of being based on experience. It is an idea which has been developing fresh currency as the Carnegie Commission on Higher Education and many individual economists have endorsed some form of this type of aid as part of a balanced program of federal aid. It would, in essence, make available at low interest federally guaranteed loan funds that could be borrowed by individual students to cover their educational costs (including but not limited to tuition) and repaid by them at a rate proportionate to later income.

In sixth place on the preferred list was the category "other loans directly to students."

Seventh most frequently identified as "preferred," and only two "votes" out of sixth place, was a proposal which has been around a long time. This is "income tax credit for student expenditures." Many of its proponents are very clear and sometimes single-minded in their espousal of this form of aid. It has, however, a small group of opponents who may feel that not enough is known of its economic effects.

The next two choices tied for eighth place: "interest subsidy" and "categorical grants to institutions for research and programs." In tenth place was "grants to the states for distribution to institutions"; and, eleventh, "grants to the states for distribution to students."

When "preferred" and "acceptable" are added together, however, some interesting things happen.

"Facilities grants directly to institutions" remains *in first place,* being identified 516 times (out of 549) as either "preferred" or "acceptable." Immediately behind it, however, run *five other options, separated from one another by a total spread of only eleven "votes."* These are "other loans directly to students" (505), "federally supported student loan bank" (504); "facilities loans directly to institutions" (499); "institutional grants directly to institutions" (498), and, at 494, "grants directly to students." This may suggest that private institutions are so desperate for federal aid that virtually any form could be at least acceptable even if some forms of it appear preferable. One respondent may have been speaking for others when he added: "Anything to obtain more funds would at least be acceptable."

Even in a quick overview at least two other observations are striking. When "acceptable" is added to "preferred," "other loans directly to students" moves from sixth to second place and "federally supported student loan bank" moves from fifth to third. This suggests that many institutions view *student loans* as a *highly acceptable* kind of federal aid although it may not give the institution the same freedom (and hence is not as "preferred") as some forms of aid to the institution itself.

The other observation of note is that "income tax credit for student expenditures" slips from seventh to ninth, falling behind even "categorical grants to institutions for research and programs" and "interest subsidy." Put another way, although it still has a creditable "score" of "preferred" and "acceptable," it has its opponents who label it "unacceptable."

Least acceptable, with, in addition, a large number of respondents who indicate that they would find aid in these forms unacceptable, are grants that come either to students or to institutions by way of the states. Statewide coordinating boards, who might be expected to take another view of this, were not included in the survey.

Agreement among sizes and types of institutions appears remarkably high with a few exceptions which are not unexpected. Institutions whose highest offering is the four or five year baccalaureate do not believe that "categorical grants" deserves seventh place on the combined "preferred" and "acceptable" register. Their ratings would locate it in ninth place. Institutions offering the Ph.D or equivalent in four or more areas, whose experience with this kind of aid has been quite different from that of baccalaureate institutions, are even more unhappy with its rating. They would put it in second place, only one "vote" behind their first choice.

A brief look at a few specific financial aspects of private colleges and universities may help illuminate their current financial status. The aspects included in this preliminary report are indebtedness on physical plant, student aid, borrowing from endowment, and, an income item of special interest to many of the church-related institutions, comparative amounts of church support.

Indebtedness on Physical Plant

Taken collectively, private colleges and universities are in debt for over a quarter (26 percent) of the book value of their physical plants. In dollars (extrapolating from the institutions in our study to all private institutions) this amounts to just under three billion dollars of indebtedness on physical plant, an average of $3,815,000 per institution. Over half (52 percent) of this indebtedness is to the federal government. Slightly under one-eighth (12 percent) of the indebtedness of institutions is to themselves: they have borrowed from their own endowment funds and from their own current funds. Over a quarter of their indebtedness on physical plant is to private sources of funding (26 percent), nearly ten percent (9.7 percent) to state government, and a minuscule fraction (.12 percent) to local government.

How one interprets these figures–the amount of indebtedness and to whom owed–will depend in part on how one views the economic future of these debtors and the degrees of beneficence with which one believes their creditors will act in the event of a declining or failing return on their investment.

Two of the more interesting creditors are the federal government and the institution itself. An authoritative view of the federal government's attitude in the face of a default on payment is not known to me.

Not that many institutions foresee themselves defaulting on federal loans. Only two colleges acknowledged the fear that they may be forced to miss a payment sometime in the next two years. One or two others confessed to the fear orally to my editor but did not so report on the questionnaire.

I have heard of the president of a small private college whose almost fantastic building program in recent years has placed the institution in debt on its physical plant for two-thirds of its value and who firmly believes that one day the federal government will forgive all of these outstanding loans. Happily he has since retired and the institution recently hired another president.

The indebtedness to other institutional funds is also interesting. The institution borrows from itself for the same reasons you and I may pay cash for a purchase rather than buy it on time: we find that we can lend ourselves the money at a cheaper rate than we can borrow it elsewhere.

While an institution that uses money it could otherwise invest at, say, five percent to save borrowing at eight percent nets a clear gain in the transaction, it has engaged in some incestuous financing that could have very serious implications in the event of further curtailment of income. Being a bad debtor to oneself means that one has already drawn on reserves to which one might turn in a reversal and has no one to sue for recovery. Moreover, the borrowed funds–on which interest is seldom paid–are sterilized as an investment. This is important in computing the strength of the institution's endowment. One might assume a growth rate and income earning rate that would improve the endowment and its ability to be used for program functions; but not if it is committed to a non-interest or niggardly-interest loan. The old saw about the man who serves as his own legal advisor having a fool for a client and a dunce for a lawyer may apply with milder force to the institution that borrows from itself too heavily.

The picture of relative indebtedness is not the same for all institutions and for all parts of the country. The ratio between total indebtedness on physical plant and the book value of the physical plant ranges in different regions from 19 percent in New England to 33 percent in the western mountain region. It ranges from a low of about twenty percent for universities offering the Ph.D. in more than four areas to approximately thirty percent for baccalaureate institutions and for institutions offering a masters degree in no more than three areas. In general, the higher the level of degree offering, the lower the ratio of indebtedness on physical plant to book value.

Among denominational groups it varies all the way from 21 percent to 45 percent. Independent (non-church-related) institutions at 25 percent have a lower ratio of total indebtedness on physical plant to book value of physical plant than most church-related institutions, although the institutions related to the Roman Catholic Church, the largest denominational group of church-related institutions, have a lower ratio still: 24 percent.

The extent to which denominational groups have turned to the federal government for loans on their physical plant is also especially interesting. The breadth of that range is most tellingly illustrated by the experience of three denominations: the Seventh Day Adventist, the Mennonite, and the United Church of Christ. These three have in common the fact that the ratio of indebtedness on their physical plants to the book value of those plants is, for each of them, 37 and a fraction percent (37.25 percent, 37.56 percent, and 37.63 percent, respectively). The percentage of that indebtedness that is owed to the federal government is, however, quite different. For Seventh Day Adventists it is zero percent; for the Mennonites it is 28 percent; and for the United Church of Christ it is 74 percent.

The denominationally related group of colleges with the highest indebtedness to book value ratio is the Nazarene Church group with 45 percent. The denominational group with the lowest ratio is the Southern Baptist Church colleges group at 21 percent. The percentage of that indebtedness owed to the federal government, however, is 69 percent for both the Nazarene colleges and the Southern Baptist colleges.

Student Aid, Direct and Indirect

The amount of money expended on Student Aid in 1967-68 in private colleges and universities of the nation taken as a whole was equal to over nine percent of Educational and General expenditures; and slightly over seven percent of the total Current Fund expenditures budget. It was equal to one fourth of the total amount spent on Instruction and Departmental Research; it was larger than the amount spent on physical plant operation and maintenance; it was nearly two and one-half times the amount spent on libraries.

In the three years following 1967-68, student aid expenditures take very slightly larger bites of the total Current Fund expenditures, grow at a slightly larger rate than Educational and General, and pick up an additional five percent on the amount spent on libraries. The amount spent on Instruction and Departmental Research, however, increases as fast or faster than the amount spent on Student Aid.

These two paragraphs set the stage for making three points. The first is that a very large amount of money, an increasing amount of money, is being spent on direct student aid. This is a considerable burden on private higher education and a very important factor in its deficit condition. (See graph on p. 17.)

The second point is that private higher education is caught in an ever widening and more vicious cycle. As it moves to demonstrate its social concern by extending scholarship money to those unable to pay even the costs of education assigned to them through tuition, it must find revenue to pay for these Student Aid expenditures. Typically it has done this, in large part, by raising tuition. In doing so, however, it puts the full tuition charge to the student out of reach for another group of students, who now require subsidy for the difference between last year's cost and this year's. This, in turn, requires further tuition increases, creates still another group needing financial aid, increases the amount of aid needed by the groups previously identified, and so on.

The third point is that a certain amount of accounting artificiality is connected with student aid on the income side which results in large deficits in this category. A large deficit shows up in this account because the institution assigns little income to offset these expenditures. There is, to be sure, typically very little institutional income specifically related to student aid. But then, the same thing could be said about many items found under Educational and General expenditures. General Administration, Student Services, and General Institutional Expenses, for example, are not attached to Educational and General income by any inherent necessity. Theoretically, at least, one could put student aid in their place, run a bigger surplus in Education and General . . . and a bigger deficit in the new account created for General Administration, et al.

The way in which accountants package higher education accounts ought not be a barrier to the consideration of a variety of types of state and federal aid. It is apparent that aid that would reduce the institution's commitment to further subsidize its own students would be welcome and helpful. It is not the only form that aid can take, however, to be helpful to the total operation of the institution.

If a swimmer could carry a one hundred pound burden across a river but is given two bundles, one weighing ninety pounds and the other thirty, he will drown. It is idle to ask which bundle caused him to drown. It was the total weight that was too much for him. If it is easier to relieve him of one bundle than another, this ought to be done. If the contents of the bundles are to some extent interchangeable, however, there may be more than one way to relieve him sufficiently to enable him to make his way across.

One problem of growing magnitude for some institutions is the need to provide from their own funds support for students previously covered by funds from the federal government. Very few institutions were able to report at the time they completed the questionnaire that their own institutional support for student aid had been increased due to the need of providing for such students.

The number of institutions reporting that they must now replace with their own funds grant and loan money formerly supplied by the federal government, although small, is the product of a steady increase during the last four years. There has been an increase of over 390 percent in the number of institutions covering *loans* formerly provided by federal monies and an increase of over 300 percent in the number supplying *grant* money formerly covered by federal funds.

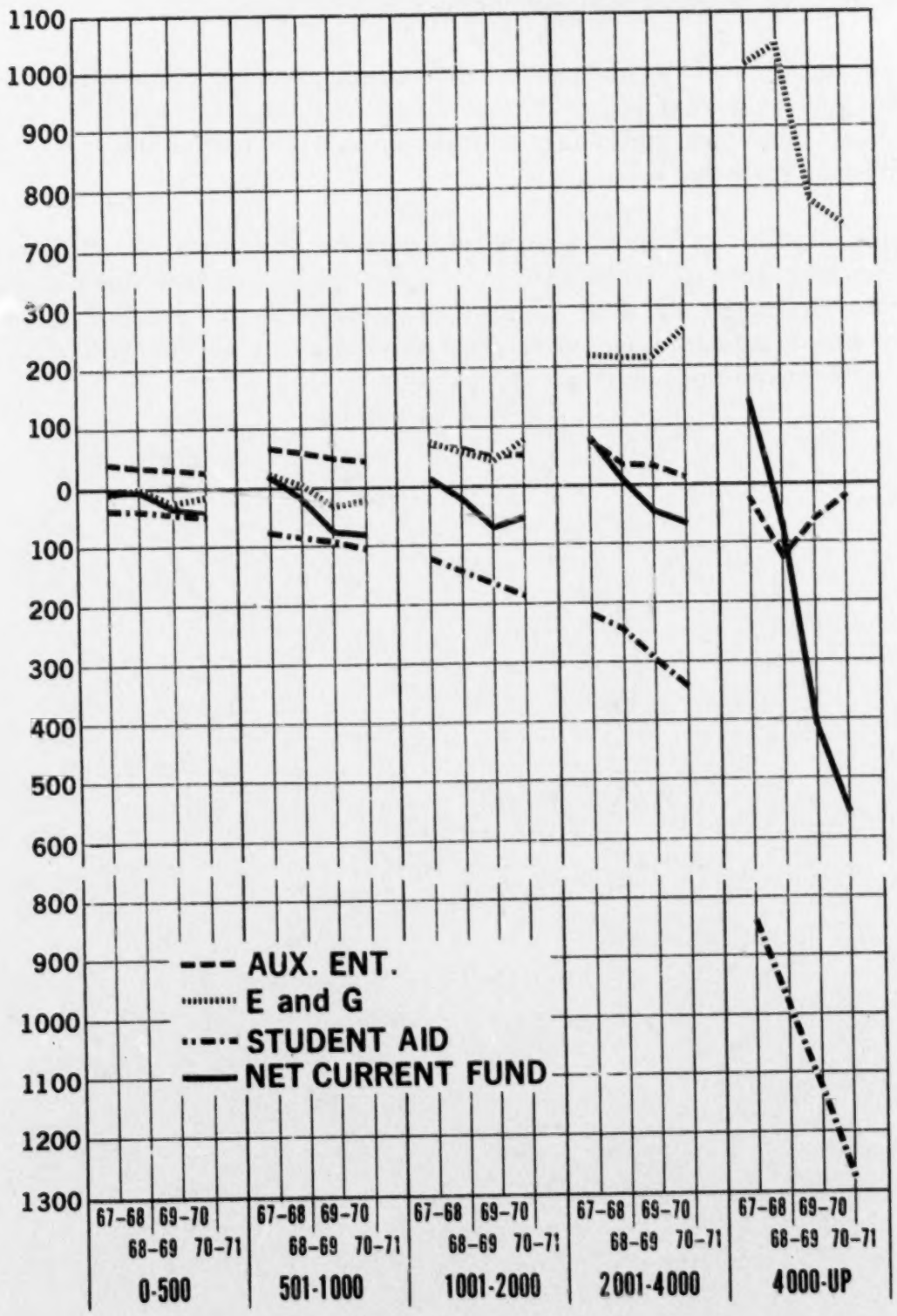
The *dollar increase* for grants and loans together, figured on a percentage basis, has risen even more dramatically. The 1966-67 increase over 1965-66 was 120 percent; the 1967-68 increase over the same base year was 267 percent; the 1968-69 increase similarly reckoned was 460 percent; and the 1969-70 increase was an alarming 904 percent!

In addition to *direct* student aid (the amount of money an institution makes available to students to help them defray *their* costs of education), there is an *indirect* student aid which is the difference between the amount charged to the student (whether or not defrayed for him by direct student aid) and what it actually costs the institution to provide the student with his education. Our final report will have more to say on this item. One or two striking observations on the amount of this aid and the kinds of institutions providing this hidden subsidy in the largest amounts are in order.

Indirect student aid, arrived at by subtracting tuition and fees from educational and general expenditures (except sponsored research and medical center expenditures), is greatest on a per student basis at the very smallest and the very largest institutions. Institutions enrolling 500 students or less are subsidizing their students' education more highly than any other enrollment group. At almost 1000 dollars per student ($977) their indirect student aid is 38 percent more than that of institutions enrolling over 4000 ($707), 66 percent more than of institutions enrolling between 501 and 1000 ($587) and well over twice as much as of institutions enrolling between 1001–2000 ($441) and 2001–4000 ($424).

This graph presents by enrollment groupings the net current fund surplus or deficit–data found in the chart on page 25–and the net surplus or deficit (in thousands) for each of the three current fund accounts: educational and general, student aid, and auxiliary enterprises. The burden of direct student aid is evident in the falling skyrocket effect of its plummeting net deficits.

CURRENT FUND FOUR YEAR PICTURE, BY THREE ACCOUNTS AND NET SURPLUS OR DEFICIT, (IN THOUSANDS) FOR THE "AVERAGE" INSTITUTION BY ENROLLMENT GROUPINGS



Borrowing from Endowment

One fourth of the institutions in our study–including institutions in every enrollment level and degree category–report that they have borrowed from unrestricted endowment *principal.* It is called "borrowing" instead of "spending"–which it is–because the institution hopes to pay it back.

Unrestricted endowment principal comes to an institution in one of two ways: either from a previous surplus or from a generous donor. Unlike "restricted" endowment principal, which cannot be spent, unrestricted endowment may legally be spent at the pleasure of the institution. Typically the college or university invests the unrestricted endowment funds, using the annual interest and, in some cases, the capital appreciation for educational purposes.

When an institution spends its unrestricted endowment principal it not only loses those funds, it also loses the dividend income and appreciation earned on those funds which it has been using for current operations. It must then find money to make up this loss both in the year in which it spends the principal and in the years that follow.

An institution may borrow from its unrestricted endowment principal for purposes that carry the institution a major step forward. If the borrowing is done simply to keep the institution operating, however, it is clearly a danger signal to the institution and to those concerned about the future of higher education. Borrowing to sustain current operations seems to be the reason for the bulk of the borrowing reported by institutions in our study.

Church Support

Church relationship, the best way to define this relationship, and the best ways to live with it have long been matters of ecclesiastical and academic debate for church-related colleges and their supporting denominational bodies. The questions have grown sharper in recent years for a variety of reasons. In at least one state, institutions that until recently proudly affirmed a church relationship are now claiming independent status. In some instances either affirmation could be made with little adjustment in the structure of the institution itself–such are the vagaries of definitions of church relationship.

For our purposes, however, church relationship was defined in financial terms: by church *support*. Hence, if an institution claimed to be independent but received church support, we overruled the self-designation and identified the institution with its denominational group if we knew its parentage. Some sixteen colleges escaped this effort for additional identification and thus present us with the apparent anomaly of being "independent" colleges with church support.

In addition to financial support that comes from some ecclesiastical body called "church," there is a very important financial contribution made by other religious bodies which is "contributed services." These contributions by religious orders–typically, but not exclusively Roman Catholic–are not "church" support in a narrow sense but they are a very important kind of contribution so closely akin to "church support" as to deserve to be treated with it.

There are also, of course, gifts from individual donors that spring from the donor's identification of the college or university as a church-related institution or one, at least, in which the donor's religiously related intent can be given expression. However, this category of income would be very difficult to define and would not carry us very far in this analysis. Even tax-supported institutions are often beneficiaries of such giving.

Previous analyses of the contributions of church bodies to their related colleges have been based upon information supplied by the denominations and reckoned in terms of total dollars, dollars per institution, and dollars per capita member of the denomination.

What we provide here is an analysis based upon data supplied by the colleges themselves, which can be seen in terms of total dollars, dollars per institution, and, most meaningful from the college's standpoint, a comparison of church support in terms of percentage of the college or university's current fund income and current fund expenditures.

Seventh Day Adventists support their colleges more handsomely than any other denominational body, providing over a million dollars a year, on the average, to each of their institutions. Not surprisingly, theirs is also the largest contribution in terms of support as a percentage of current fund expenditure. It is nearly twelve percent of the budget.

The second largest supporter in terms of average dollars per institution is the Southern Baptist denomination which supplies its institutions an average $282,000 per year. On the basis of support as a percentage of budget, second place belongs to the Church of the Nazarene which provides its colleges nearly ten percent of their current fund budgets.

As the following table indicates, five denominations average over $200,000 per year in support to their colleges and eight denominations provide over five percent of the current operating fund budgets of the colleges related to them.

CHURCH SUPPORT

Average Dollars Per Institution (in thousands)	Ranking in Terms of Dollars per Institution	Ranking in Terms of Church Support as a Percentage of Current Fund Expenditures*	Percent of Current Fund
$ 1179	Seventh Day Adventists	Seventh Day Adventists	11.8%
282	Southern Baptist	Church of the Nazarene	9.9
273**	Roman Catholic (without contributed services)	Southern Baptist	7.6
262	Lutheran Church in America	Roman Catholic	6.4**
238	Church of the Nazarene	Luthern Church in America	5.9
172	Reformed Church in America	Reformed Church in America	5.7
164	American Lutheran Church	Other	5.6
145	Other	Mennonite	5.0
127	Presbyterian, U.S.	Presbyterian, U.S.	3.8
108	Episcopal	American Lutheran Church	3.3
107	Disciples of Christ	Church of the Brethren	2.9
106	Methodist	Disciples of Christ	2.8
97	Mennonite	American Baptist Convention	2.6
94	Church of the Brethren	Methodist	2.2
84	American Baptist Convention	United Presbyterian, USA	2.0
61	United Presbyterian, USA	Episcopal	1.9
55	United Church of Christ	United Church of Christ	1.9

* The spread between the groups is great enough so that with two minor exceptions the same order of ranking prevails whether the measure is current fund income or current fund expenditure.

**The figures on church support of Roman Catholic institutions apply only to institutions reporting under the specific question relating to church support. They do not apply to all Roman Catholic institutions in our study. For *all* such the figure *including* contributed services is 253 thousand per institution or 5.9 percent of total current fund expenditures.

But How Bad Is It?

At this stage in our study much of our analysis must be in collective terms and we must speak of the "average" institution. Taken collectively, we have said, private higher education carries an indebtedness on its physical plant of about three billion dollars. By the same rough measures of approximation we can say that private higher education carried a current fund indebtedness (in 1968-69) of nearly half a billion dollars on a current fund budget, for all of private higher education, of about five billion dollars.

For the institutions in our study, the total deficit incurred in any or all of the four years included in the study, not netted out by combination with surplus years or with institutions running surpluses, is 266 million dollars. A rough estimate of the total deficit experienced by all of private higher education over these four years, therefore, would be near 370 million dollars.

The aggregate figure of 266 million is the addition of four years of deficits. The following table shows the amount of deficit reported by institutions in our study for each of the four years, the number of institutions reporting deficits, and the approximate number of all private four-year accredited colleges and universities with deficits.

	1967-68	1968-69	1969-70	1970-71
Total deficit reported (in millions)	36	57	86	87
Number of institutions reporting deficits	187	234	307	261
Approximate number of all private four-year accredited colleges and universities with deficits	259	324	425	362

Are these large amounts of money or small amounts?

Charles Dickens put it into the mouth of Mr. Micawber to observe: "Income twenty pounds, expenditure nineteen pounds, nineteen shillings, sixpence–result: happiness; expenditure twenty pounds, sixpence–result: misery."

These deficits are more than sixpence. We live, however, in a nation where the largest railroad receives a federal loan guarantee of 125 million dollars in a deficit situation of more than twice that amount and where the Defense Department seeks one billion 400 million dollars to stave off bankruptcy for the developer of the C-5A transport plane.

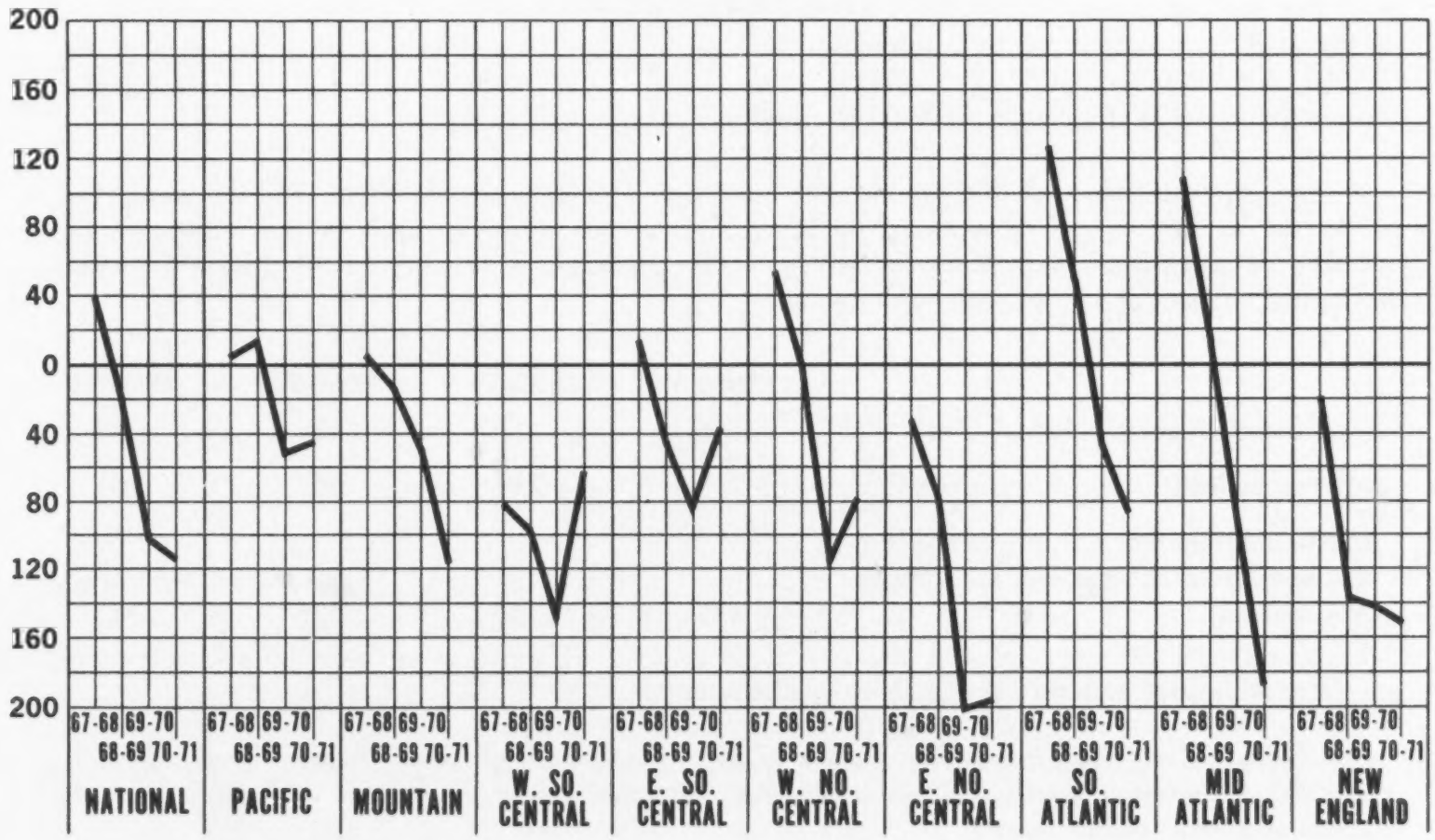
Private higher education, taken as a collective whole, is not yet in desperate straits. For the private institutions in our study, the *net* current fund deficit for 1968-69 was only three tenths of one percent of their combined total current fund expenditure budget. For 1969-70 their projected deficit is 1.4 percent of the current fund budget for that year; and for 1970-71, 1.46 percent.

Private higher education is not, however, a collective whole. We can come a little closer to perceiving this by comparing average figures for all the institutions in our study with various sub-sets of "average" institutions in the tables and graphs following.

The nine regions (with the exception of Pacific) share a trend line over the first three years. With the exception of the West South Central, East North Central, and New England regions, where the

"average" institution was already in the red by the end of fiscal 1967-68, the line begins in the black and flows quickly into the red. The trend line projected from 1969-1970 to 1970-1971, however, divides the regions into two groups: those that see the deficit increasing (Mountain, South Atlantic, Mid Atlantic, and New England) and the remaining five regions that project 1970-71 to be a year with lower deficits than 1969-70.

Net Current Fund Surplus or Deficit (in thousands) for the "Average" Institution by Geographic Regions



Region	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
Pacific Region	4	13	-52	-46
Mountain Region	6	-13	-50	-116
West South Central Region	-81	-97	-149	-62
East South Central Region	14	-46	-87	-37
West North Central Region	54	0	-116	-76
East North Central Region	-32	-77	-201	-196
South Atlantic Region	126	50	-47	-87
Mid Atlantic Region	108	14	-92	-189
New England Region	-19	-137	-141	-151

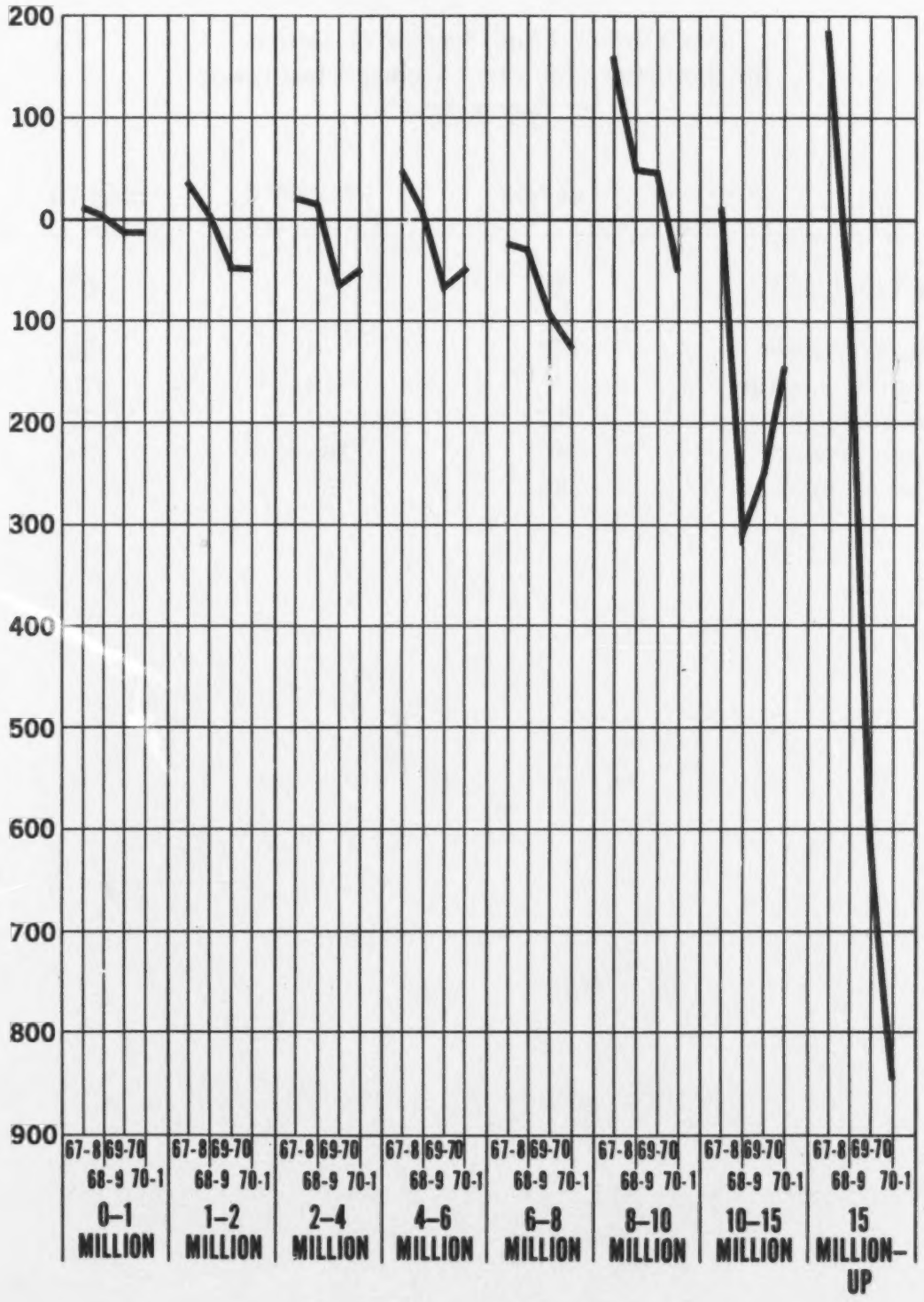
The table showing the war between the red and the black over the four years of our study for institutions analyzed by degree levels shows that, while all begin in the black in 1967-68 and end in the red in 1970-71, the twenty institutions that identify themselves as offering the Ph.D. or equivalent in less than four areas run a surplus pattern much longer than any of the other groups. However, while the baccalaureate and masters-in-less-than-four institutions are hopeful that their deficit situation will be milder in 1970-71 than in the previous year, the other three groups–including the Ph.D.-in-less-than-four see their situation worsening.

Net Current Fund Surplus or Deficit (in thousands) for the "Average" Institution by Degree Levels

Degree Level	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
4 or 5 year baccalaureate	27	-3	-52	-49
Masters in less than 4 areas	35	-13	-79	-64
Masters in 4 or more areas	13	-62	-122	-148
Ph.D. in less than 4 areas	245	206	35	-45
Ph.D. in 4 areas or more	86	-250	-652	-815

The following graph presents data on the net current fund surplus or deficit (in thousands) for the "average" institution in each of eight budget ranges. These current fund budget ranges are based upon the most recently completed fiscal year reported by institutions in our study.

Net Current Fund Surplus or Deficit (in thousands) for the "Average" Institution by Budget Ranges



Analysis by enrollment levels, finally, shows the "average" institution was still running a surplus in 1968-69 in every enrollment range save one: the "average" institution enrolling 500 students or fewer. The "average" institution in only one enrollment range (1001–2000) expects that 1970-71 will be less bad than 1969-70 although three others see the degree of slide moderating.

Net Current Fund Surplus or Deficit (in thousands) for the "Average" Institution by Enrollment Levels

Enrollment Level	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
500 and below	-2	-2	-38	-41
501 – 1000	21	-19	-72	-73
1001 – 2000	18	-20	-68	-49
2001 – 4000	78	9	-45	-61
4001 and up	147	-65	-407	-558

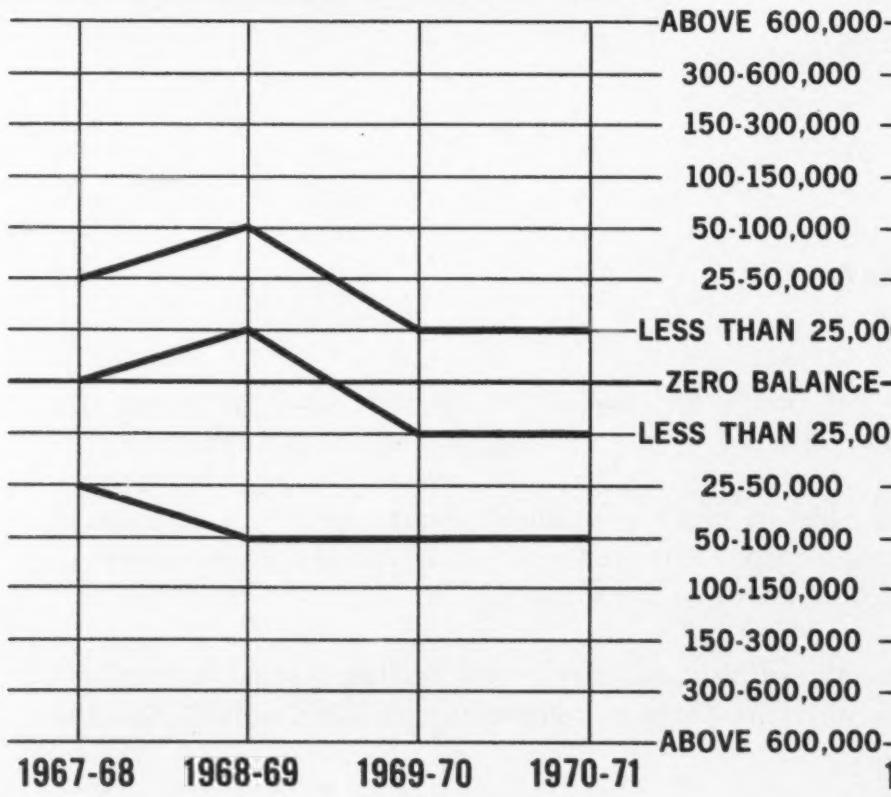
We can come a little closer still to the realization that these are individual institutions by examining the institutions by enrollment levels again, this time showing median and quartile ranges.

What the following graphs indicate is that in every enrollment group there is a quartile of institutions in each of the four years running a surplus. (Indeed, other data reveal that one fourth of the institutions in our study report no net deficit in any of the four years!)

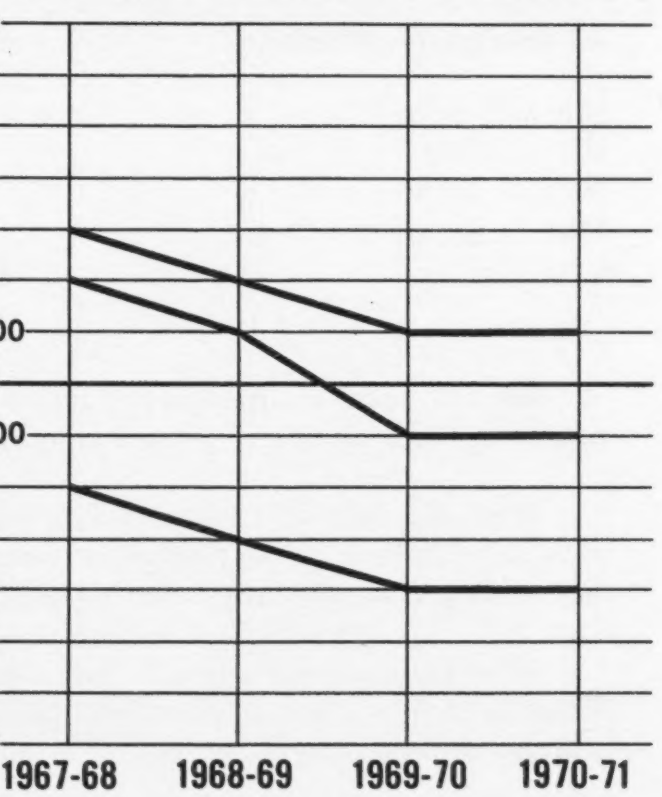
What the graphs also show is that a quartile of institutions in every enrollment range is running a deficit in each of the four years; and that in only one of the enrollment ranges (2001–4000) does the median institution stay in the black.

The graph for enrollment group 1001–2000 may be of special interest because, coincidentally, this graph also accurately represents the median and quartiles for all institutions in our study.

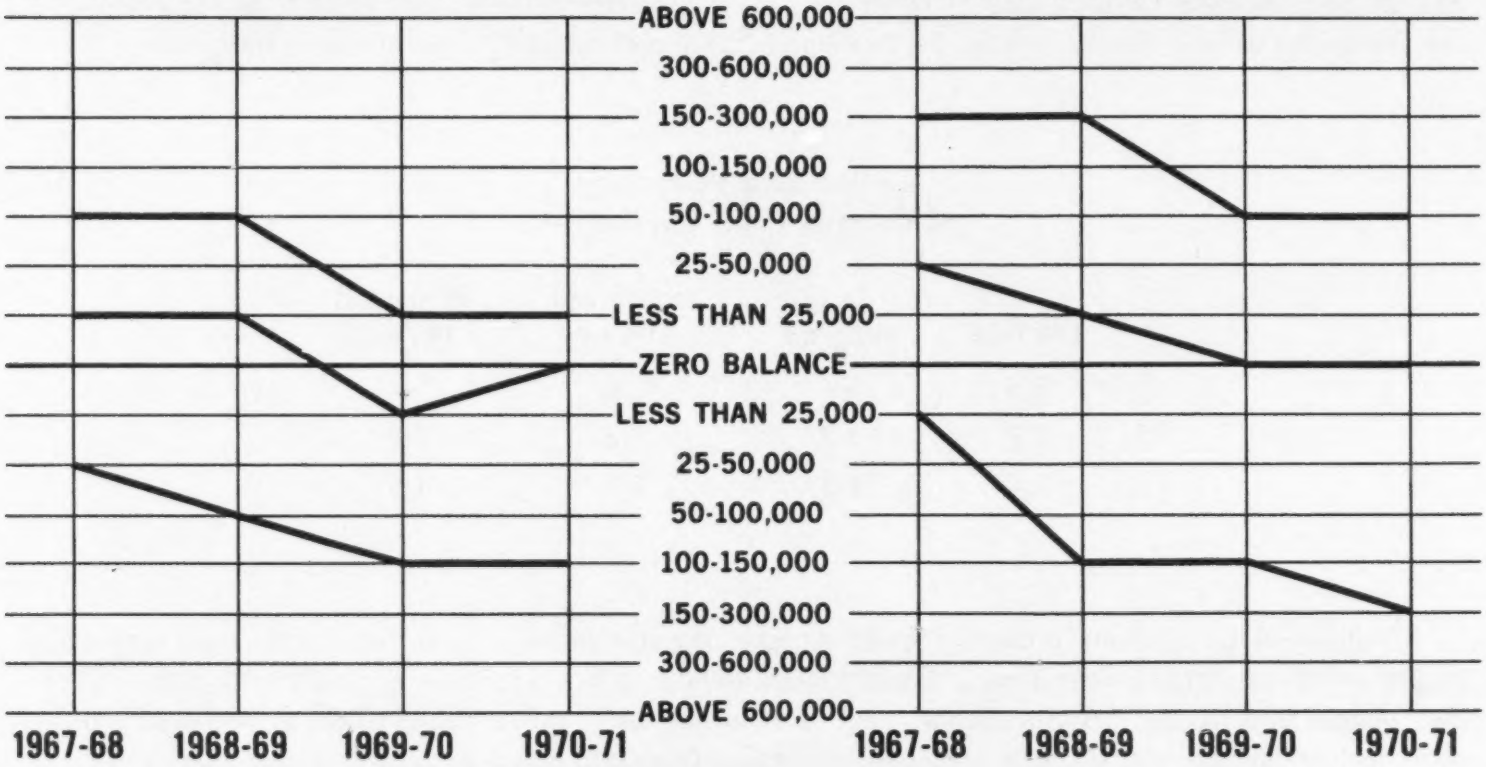
CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 500 OR LESS, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 501-1000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES

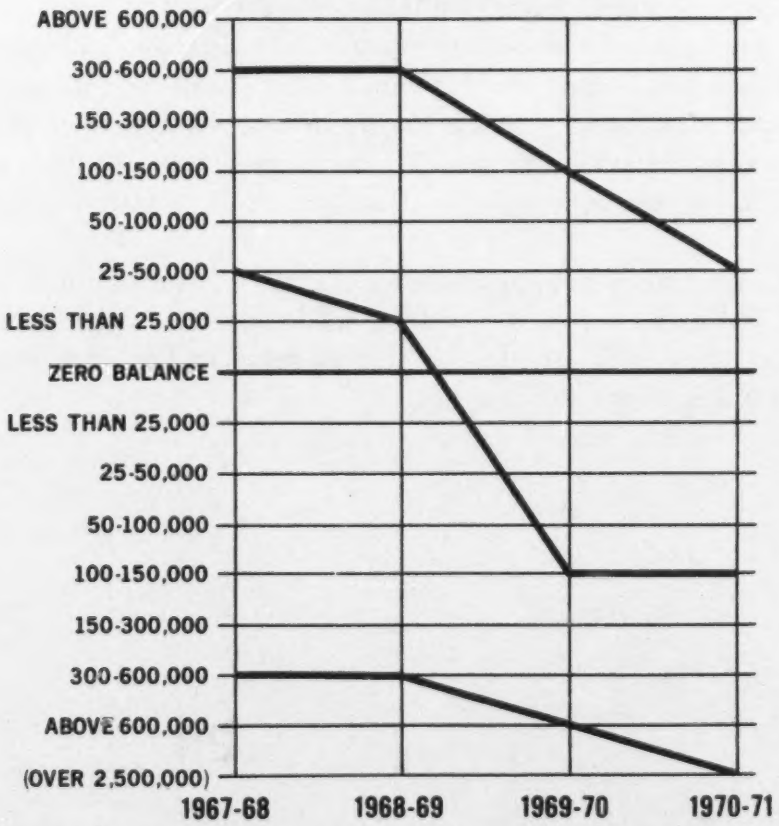


CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 1001-2000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 2001-4000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES

CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 4,000 AND UP SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



Private higher education, to reiterate, is not a collective whole. *For institutions running deficits,* the financial situation runs from serious to critical as the following table suggests. The table presents by median, first and third quartiles, current fund deficit as a percentage of total current fund expenditure. What it reveals is that while one quarter of these institutions are running deficits less than two percent of their current fund budgets even in projected 1970-71, another quarter are running deficits in projected 1969-70 and 1970-71, in excess of seven percent. In 1970-71, in fact, the range for this group of institutions is from 7.4 percent to 29.1 percent of the current fund budgets!

Deficit as a Percentage of Current Fund Expenditure

	1967-68	1968-69	Projected 1969-70	Projected 1970-71
Q_3	5.8	6.6	7.6	7.4
M	2.7	3.2	3.8	4.2
Q_1	1.1	1.3	1.6	1.9

Individual institutions present a wider variety of patterns over these four years than tables and graphs of gross statistics can reveal. Some march steadily from a surplus or small deficit in 1967-68 into deeper and deeper deficits. Others have been doing well and continue to do so; while still others move helter skelter over the four years from surplus to deficit back to surplus and back to deficit or from deficit to surplus and back again. Indeed, virtually any surplus-deficit pattern possible may be found to have at least one example.

Individual institutions simply resist being taken captive by statistical averages. For this reason, individual institutions, no matter how perilous their situation as judged by the statistical company they keep may, like Pauline, be saved from imminent disaster by the heroic action of a magnificent bequest or the fortuitous appearance of some other savior or by native intelligence which enables them to outwit the financial villain and escape. An individual institution's plight may be favorably modified by a magnificent gift, by a substantial increase in enrollment, by the favorable effects of legislation imminent in some states. But statistics take note of the opposite possibilities as well: the disaffected donor, the declining enrollment, the absence or ineffectual action of state legislation.

Private colleges and universities are apprehensive and they have reason to be. Most colleges in the red are staying in the red and many are getting redder, while colleges in the black are generally growing grayer. Taken collectively, they will not long be able to serve higher education and the nation with strength unless significant aid is soon forthcoming.